

Date
July 8, 1992



To
Peter S.P. Dimsey

From
Richard Woods
ext 5450

Memorandum

Subject
Attached Questions

Copies To

As promised, I've developed the questions which we need to address at the upcoming Business Committee meeting. We should:

- address them at the upcoming meeting in the form of an overall strategic update
- distribute a written version to all committee members
- offer to present this update in person at the committee members' institutions
- send a letter to the Visa board members whose institutions are represented on our Business Committee offering to present this strategic update with them in person
- distribute this Q & A to all member relations representatives on an FYI basis.

This strategic update should also form the basis of Pete's ABA presentation and should be an agenda item at all upcoming committee meetings.

The single most important job this strategic update can do is to make clear what we are *for* -- that is, why it is in our members' best interest for MasterCard to be a strong brand and that MasterCard's strategy has been designed to increase the value of our franchise for our members.

Second this update must explain what we are *against* -- Discover, first and foremost; Amex, cash and checks as well; and a bankcard environment diminished of the choice, competitive advantages and creativity that results from two distinctive brands.

Finally, we need to correct the lies and distortions which Visa is compelled to make in their drive to dominate the payment industry at our members' expense.

RW:kcs

attachment

GOVERNMENT
DEPOSITION
EXHIBIT
1338

P-0312

HIGHLY CONFIDENTIAL
SUBJECT TO
PROTECTIVE ORDER

MC

0141959

Date
July 9, 1992



To
Distribution

JUL 10 1992

From
Richard Woods *RW*

Memorandum
PETER S. P. DIMSEY

Subject
Attached Questions

Copies To
Alex W. "Pete" Hart
William Sandalls, Jr.
John O. Smith

We are under tremendous pressure from the Visa disinformation machine and we need to respond. Specifically we need to be ready with handouts for the upcoming U.S. Business Committee meeting, August 5.

Attached are our best guesses regarding the aspects of our business that we need to promote/defend and which are within your areas of responsibility. Please draft answers to the questions listed next to your name by next week so we can pull together an overall MasterCard "story" as soon as possible.

Thanks.

RW:kcs

attachment

Distribution: Peter S.P. Dimsey
Philip P. Verdi
F. David Brangaccio
Arthur Kranzley

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MC 0141960

Questions and Answers

In Preparation

For Co-Branded Programs

and

The ABA National Bank Card Conference

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0141961

I: Strategy

- What is MasterCard's business strategy?

(Dimsey)

- How does it benefit members?

(Dimsey)

- In what way has MasterCard responded to its eroding share position over the past 5 years?

(Dimsey)

- What accounts for MasterCard's share stabilization over the past 18 months?

(Dimsey)

- With regards to MasterCard's business strategies, what is MasterCard's approach to....

1. Investment in systems development? (Verdi)

- Why is MasterCard's outsourcing?
- What aspects of MasterCard's system is being outsourced?
- What is the benefit to members through outsourcing?
- What is the risk of members losing control of their payment system through outsourcing?
- Who will be your vendors/partners in the outsourcing deal?
- What role will this member/partner have in the management of the system?
- Why was this vendor/partner selected?
- What impact will the selection of this vendor/partner have on the relative competitive position of current or potential MasterCard members?

2. Increased investment in marketing? (Dimsey)

- Does MasterCard regard Visa as a competitor?
- What happens to Visa in the event of an increasingly strong MasterCard brand?
- Under duality, what are the risks/benefits to MasterCard members of a share shift which favors MasterCard over Visa?
- How effective/efficient is MasterCard's current advertising?
- How much as Member Relations grown in the past several years and how have members benefited from that growth?
- How efficient/effective has MasterCard's investment in merchant and acquirer relations been?
- How effective/efficient has *MasterValues* been in benefiting members and cardholders?
- What consideration have merchants received to secure their participation in *MasterValues*?

3. The use of partnerships to support the long term interests of members?

- What role do partnerships play in MasterCard's business strategy?
(Dimsey)
- What are the risks/benefits to traditional members?
(Dimsey)
- Comparing and contrasting MasterCard's affinity and co-branding rules relative to Visa, what are the respective risks/benefits to members?
(Brangaccio)
- Does merchant failure or chargebacks represent greater risk to members in the case of a co-branded card with separate account access as compared with a co-branded account without such access?
(Brangaccio)

- How does the interlocking circles strategy impact the equity which members have built into the MasterCard logo?

(Dimsey)

II: Technology

- How competitive is MasterCard's decentralized network architecture relative to Visa's centralized system?

(Verdi)

- Does Banknet permit transactions to be reviewed at a central point?

(Verdi)

- Can Banknet offer...

--risk identification?
--excessive chargeback monitoring?
--chargeback reduction?
--account tracking?

(Verdi)

- Can Banknet achieve the scale efficiencies of Visanet's Supercenters in the future?

(Verdi)

- Can Banknet provide members cost savings comparable to the Backoffice 2000 or Payment Service 2000 programs?

(Verdi)

- Is Banknet based on obsolete IBM (Series One) technology?

(Verdi)

- Does Banknet suffer disadvantages relative to Visa's PC-based system?

(Verdi)

- Has/can MasterCard achieve systems parity with Visa by the year 2000?
If so, at what cost?

(Verdl)

III: Governance

- How does MasterCard's board composition differ from Visa's board?

(Dimsey)

- Are non-banks disproportionately represented on MasterCard's board?

(Dimsey)

- To what degree is bankcard profitability a consideration in the deliberation of MasterCard's U.S. board?

(Dimsey)

IV: Maestro

- Is MasterCard winning or losing in the off-line debit race?

(Kranzley)

- How does Maestro stack up against Interlink by such measures as profitability/market control and potential to cannibalize off-line debit and credit transactions?

(Kranzley)

- Why has MasterCard chosen to go the route of working so closely with regional network?

(Kranzley)

- Do the interests of regional networks coincide with those of issuing members, especially by such standards as card profitability?

(Kranzley)

- How well does the Maestro board...
 - compare/contrast with Interlink board?
 - represent issuers versus networks?

(Kranzley)

- Have Maestro service levels been set with the needs of merchants and consumers in mind, or are they simply based on ATM models?

(Kranzley)

- Compare/contrast Maestro service levels with Interlink's in so far as they meet the needs of consumers, members and merchants.

(Kranzley)

- What are the risks to U.S. members of signature-based authorization of Maestro in Europe?

(Kranzley)

RW:kcs